



# **Dairy Refund Payment Program**

## **Background**

The objective of the Dairy Refund Payment Program is to provide to eligible producers refunds of the reductions in the price received by producers for milk during a calendar year. Reductions in price are required by law for all milk produced in the U.S. (the 48 contiguous States) and marketed commercially in calendar years 1991-96.

The reduction was 11.25 cents per hundredweight from January 1 through April 30 for 1995 and 10 cents per hundredweight from January 1 through April 30, 1996. Also for 1995, the reduction was increased from May 1 through December 31 to compensate for refund payments made in the preceding year. Producers may receive a refund payment only for reductions in that person's producer proceeds for milk and only for those monies actually remitted to the Commodity Credit Corporation (CCC).

## **Eligible Dairy Producers**

Refund payments are made available to dairy producers who:

- were commercial producers of milk at the farm level
- received milk proceeds that were reduced by the statutory reduction

- did not, during the year for which the reduction was made, exceed their milk marketings from the base period, or the equivalent months and days of the preceding year if a producer goes out of the dairy business during the refund period
- meet the related persons qualifications.

## **Base Period**

The base period is the calendar year immediately preceding the calendar year for which a refund payment is requested.

## **Refund Period**

The refund period is the calendar year for which a refund payment is requested.

## **Amount of Refund Payment**

The refund payment to eligible dairy producers is the lesser of either of the following:

- the collected assessment amount during the refund period OR
- the number of hundredweight of milk sold during the refund period times the applicable assessment amount.

## **Eligibility and Multiple Dairy Units**

Producers are eligible to receive refund payments of withheld amounts, if evidence is provided

that the producer and all dairies in which that producer has an interest did not increase milk marketings in the refund period, when compared to the base period, or the equivalent months and days of the immediately preceding calendar year if the producer goes out of the dairy business during the refund period.

## **Application Period**

Dairy producers should apply for 1996 refund payments at their county FSA office. The application period begins on January 1 and ends on March 15 of each subsequent calendar year. For 1996, applications must be requested from January 2 through March 17, 1997.

## **Acceptable Documentation**

Acceptable documentation shall include payment receipts or statements from milk handlers showing the:

- name and address of the producer
- pounds of milk marketed for commercial use during the refund period and base period
- amount of assessment deducted and paid to CCC during the refund period
- name and address of the milk handler.

### ***Transfers of Milk Marketing History***

Transfers of milk marketing history may be approved if both of the following apply:

- the producer has acquired the complete dairy operation from a family member AND
- the transferor no longer has any interest in the dairy, dairy cattle, or milk production and will not resume an interest prior to payment of the refund being made.

### ***Definition of Family Member***

Persons considered to be family members for the purpose of transferring milk marketing history shall be as follows:

- the parent, grandparent, or legal guardian
- the spouse of a parent or grandparent
- spouse
- the son, daughter, grandson, or granddaughter, or the spouse of any of these persons
- siblings and the spouses of these siblings.

### ***Changes in Operations***

When individuals are added to or removed from those marketing milk from the dairy unit and such individuals add or remove dairy cows, other than normal culling or replacement, a change in operation occurs. A new base period must be established whenever a new operation occurs.

### ***Related Person***

In addition to the milk marketings for the producer requesting a refund payment, month-by-month milk marketings for the required base and refund periods must be submitted for all related persons. If the total milk marketings during the refund period for the producer and all related persons exceed the milk marketings for the base period for the producer and all related persons, the producer requesting a refund payment is ineligible.

### ***Definition of a Related Person***

Persons considered to be related persons of the producer for the purpose of calculating refund payment eligibility shall be as follows:

- the spouse and minor child of the person
- guardian or parent of a minor child
- any corporation in which the person is a stockholder, shareholder, or owner of equal to, or greater than, 10 percent interest in the corporation
- any partnership, joint venture, or other enterprise in which the person has an ownership interest or financial interest
- any trust in which the person seeking the refund payment or any person listed above is a beneficiary or has a financial interest
- any estate. An estate shall be treated the same as the deceased individual.

If the producer applying for a refund is an individual, related persons shall be determined for the first level only.

If a producer, other than an individual, applies for a refund payment, related persons shall be all first level related persons and all second level related persons. Second level related persons are determined by listing all the related persons for the first level related persons.

### ***Legislative Authority***

The Food Security Act of 1985, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990; the Omnibus Budget Reconciliation Act of 1990; the Food, Agriculture and Trade Act Amendments of 1991; the Omnibus Budget Reconciliation Act of 1993; and the Federal Agriculture Improvement and Reform Act of 1996.

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